

Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

2006

Open to Public Inspection for
501(c)(3) Organizations Only

Department of the Treasury
Internal Revenue Service

For calendar year 2006 or other tax year beginning **OCT 1, 2006** and ending **SEP 30, 2007**

A <input type="checkbox"/> Check box if address changed	Print or Type	Name of organization (<input type="checkbox"/> Check box if name changed and see instructions.) Smithsonian Institution	D Employer identification number (Employees' trust, see instructions for Block D on page 9.) 53-0206027
B Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)		Number, street, and room or suite no. If a P.O. box, see page 9 of instructions. 1000 Jefferson Drive, S. W.	E Unrelated business activity codes (See instructions for Block E on page 9.) 541800 453220
		City or town, state, and ZIP code Washington, DC 20560	
C Book value of all assets at end of year 1,966,520,957.	F Group exemption number (see instructions for Block F.)		
	G Check organization type <input type="checkbox"/> 501(c) corporation <input checked="" type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust		

H Describe the organization's primary unrelated business activity. **Sale of advertising in SI Periodicals**

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? Yes No
If "Yes," enter the name and identifying number of the parent corporation.

J The books are in care of **Office of the Comptroller** Telephone number **202-633-7250**

Part I Unrelated Trade or Business Income	(A) Income	(B) Expenses	(C) Net
1 a Gross receipts or sales			
b Less returns and allowances c Balance	1c		
2 Cost of goods sold (Schedule A, line 7)	2		
3 Gross profit. Subtract line 2 from line 1c	3		
4 a Capital gain net income (attach Schedule D)	4a		
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b		
c Capital loss deduction for trusts	4c		
5 Income (loss) from partnerships and S corporations (attach statement)	5	-1,353.	-1,353.
6 Rent income (Schedule C)	6	Stmnt 21	
7 Unrelated debt-financed income (Schedule E)	7		
8 Interest, annuities, royalties, and rents from controlled organizations (Sch. F)	8		
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9		
10 Exploited exempt activity income (Schedule I)	10	4,528,470.	1,187,039.
11 Advertising income (Schedule J)	11	22,483,646.	1,711,943.
12 Other income (See instructions; attach schedule.)	12		
13 Total. Combine lines 3 through 12	13	27,010,763.	2,897,629.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.)
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule K)	14	
15 Salaries and wages	15	
16 Repairs and maintenance	16	
17 Bad debts	17	
18 Interest (attach schedule)	18	
19 Taxes and licenses	19	
20 Charitable contributions (See instructions for limitation rules.)	20	
21 Depreciation (attach Form 4562)	21	
22 Less depreciation claimed on Schedule A and elsewhere on return	22a	22b
23 Depletion	23	
24 Contributions to deferred compensation plans	24	
25 Employee benefit programs	25	
26 Excess exempt expenses (Schedule I)	26	
27 Excess readership costs (Schedule J)	27	2,018,017.
28 Other deductions (attach schedule)	28	
29 Total deductions. Add lines 14 through 28	29	2,018,017.
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30	879,612.
31 Net operating loss deduction (limited to the amount on line 30)	31	116,434.
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32	763,178.
33 Specific deduction (Generally \$1,000, but see instructions for exceptions)	33	
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	763,178.

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation.

Controlled group members (sections 1561 and 1563) check here See instructions and:

a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):

(1) \$ (2) \$ (3) \$

b Enter organization's share of: (1) Additional 5% tax (not more than \$1,750) \$

(2) Additional 3% tax (not more than \$100,000) \$

c Income tax on the amount on line 34

Table with 2 columns: Line number, Amount. Rows 35c, 36 (266,191), 37, 38, 39 (266,191).

36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from:

Tax rate schedule or Schedule D (Form 1041)

37 Proxy tax. See instructions

38 Alternative minimum tax

39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)

40a

b Other credits (see instructions)

40b

c General business credit. Check here and indicate which forms are attached:

Form 3800 Form(s) (specify)

40c

d Credit for prior year minimum tax (attach Form 8801 or 8827)

40d

e Total credits. Add lines 40a through 40d

40e

41 Subtract line 40e from line 39

41 266,191.

42 Other taxes. Check if from: Form 4255 Form 8611 Form 8697 Form 8866 Other (attach schedule)

42

43 Total tax. Add lines 41 and 42

43 266,191.

44a Payments: A 2005 overpayment credited to 2006

44a

b 2006 estimated tax payments

44b

c Tax deposited with Form 8868

44c 4,973.

d Foreign organizations: Tax paid or withheld at source (see instructions)

44d

e Backup withholding (see instructions)

44e

f Credit for federal telephone excise tax paid (attach Form 8913)

44f

g Other credits and payments:

Form 2439 Other

44g

Total

45 4,973.

46 Estimated tax penalty (see instructions). Check if Form 2220 is attached

46 16,156.

47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed

47 277,374.

48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid

48

49 Enter the amount of line 48 you want: Credited to 2007 estimated tax

Refunded

49

Part V Statements Regarding Certain Activities and Other Information (See instructions on page 18)

1 At any time during the 2006 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1. If YES, enter the name of the foreign country here Panama

Table with 2 columns: Yes, No. Row 1: Yes (X), No.

2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see page 5 of the instructions for other forms the organization may have to file.

Table with 2 columns: Yes, No. Row 2: Yes, No (X).

3 Enter the amount of tax-exempt interest received or accrued during the tax year \$ 0.

Table with 2 columns: Yes, No. Row 3: Yes, No.

Schedule A - Cost of Goods Sold. Enter method of inventory valuation N/A

Table with 8 rows and 4 columns. Rows 1-5: Inventory at beginning of year, Purchases, Cost of labor, Additional section 263A costs, Other costs. Rows 6-8: Inventory at end of year, Cost of goods sold, Do the rules of section 263A apply?

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer: [Signature] Date: 8/8/08

CFO Title

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

Preparer's signature, Date, Firm's name, EIN, Phone no., Check if self-employed

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)(see instr. on pg 20)

1 Description of property

(1)		
(2)		
(3)		
(4)		

2 Rent received or accrued

3 Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)

(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total 0.	Total 0.	

Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) 0.

Total deductions.

Enter here and on page 1, Part I, line 6, column (B) 0.

Schedule E - Unrelated Debt-Financed Income (See instructions on page 20)

1 Description of debt-financed property

2 Gross income from or allocable to debt-financed property

3 Deductions directly connected with or allocable to debt-financed property

(a) Straight-line depreciation (attach schedule)

(b) Other deductions (attach schedule)

(1)				
(2)				
(3)				
(4)				

4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)

5 Average adjusted basis of or allocable to debt-financed property (attach schedule)

6 Column 4 divided by column 5

7 Gross income reportable (column 2 x column 6)

8 Allocable deductions (column 6 x total of columns 3(a) and 3(b))

(1)		%		
(2)		%		
(3)		%		
(4)		%		

Totals Enter here and on page 1, Part I, line 7, column (A) 0. Enter here and on page 1, Part I, line 7, column (B) 0.

Total dividends-received deductions included in column 8 0.

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (See instructions on page 21)

1 Name of Controlled Organization

2 Employer Identification Number

Exempt Controlled Organizations

3 Net unrelated income (loss) (see instructions)

4 Total of specified payments made

5 Part of column 4 that is included in the controlling organization's gross income

6 Deductions directly connected with income in column (5)

(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7 Taxable income

8 Net unrelated income (loss) (see instructions)

9 Total of specified payments made

10 Part of column 9 that is included in the controlling organization's gross income

11 Deductions directly connected with income in column 10

(1)				
(2)				
(3)				
(4)				

Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).

Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

Totals 0. 0.

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization

(see instructions on page 22)

1 Description of income	2 Amount of income	3 Deductions directly connected (attach schedule)	4 Set-asides (attach schedule)	5 Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals	0.			0.

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income

(see instructions on page 22)

1 Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income Stmt 22	4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5 Stmt 23	7 Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1) Retail Shops	3,468,024.	2,848,098.	619,926.	35,406,891.	35,406,891.	0.
(2) Theaters	1,060,446.	493,333.	567,113.	10,204,516.	6,822,574.	0.
(3)						
(4)						
Totals	4,528,470.	3,341,431.				0.

Schedule J - Advertising Income (see instructions on page 23)

Part I Income From Periodicals Reported on a Consolidated Basis

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))	0.	0.				0.

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

(1) Smithsonian	22,060,916.	20,042,899.	2,018,017.	4,021,589.	29,581,151.	2,018,017.
(2) Air & Space	422,730.	728,804.	-306,074.			
(3)						
(4)						
(5) Totals from Part I	0.	0.				0.
Totals, Part II (lines 1-5)	22,483,646.	20,771,703.				2,018,017.

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions on page 23)

1 Name	2 Title	3 Percent of time devoted to business	4 Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
Total. Enter here and on page 1, Part II, line 14			0.

Underpayment of Estimated Tax by Corporations

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to the corporation's tax return.

Form 990-T

2006

Name Smithsonian Institution	Employer identification number 53-0206027
--	---

Note: Generally, the corporation is not required to file Form 2220 (see Part II below for exceptions) because the IRS will figure any penalty owed and bill the corporation. However, the corporation may still use Form 2220 to figure the penalty. If so, enter the amount from page 2, line 34 on the estimated tax penalty line of the corporation's income tax return, but **do not** attach Form 2220.

Part I Required Annual Payment

1 Total tax (see instructions)		1	266,191.
2a Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 1	2a		
b Look-back interest included on line 1 under section 460(b)(2) for completed long-term contracts or of section 167(g) for depreciation under the income forecast method	2b		
c Credit for Federal tax paid on fuels (see instructions)	2c		
d Total. Add lines 2a through 2c	2d		
3 Subtract line 2d from line 1. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty		3	266,191.
4 Enter the tax shown on the corporation's 2005 income tax return (see instructions). Caution: If the tax is zero or the tax year was for less than 12 months, skip this line and enter the amount from line 3 on line 5		4	
5 Required annual payment. Enter the smaller of line 3 or line 4. If the corporation is required to skip line 4, enter the amount from line 3		5	266,191.

Part II Reasons for Filing - Check the boxes below that apply. If any boxes are checked, the corporation must file Form 2220 even if it does not owe a penalty (see instructions).

- 6 The corporation is using the adjusted seasonal installment method.
- 7 The corporation is using the annualized income installment method.
- 8 The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.

Part III Figuring the Underpayment

	(a)	(b)	(c)	(d)
9 Installment due dates. Enter in columns (a) through (d) the 15th day of the 4th (Form 990-PF filers: Use 5th month), 6th, 9th, and 12th months of the corporation's tax year	01/15/07	03/15/07	06/15/07	09/15/07
10 Required installments. If the box on line 6 and/or line 7 above is checked, enter the amounts from Sch A, line 38. If the box on line 8 (but not 6 or 7) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% of line 5 above in each col. Special rules apply to corporations with assets of \$1 billion or more (see instr)	66,548.	66,548.	66,547.	66,548.
11 Estimated tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 11 on line 15				
Complete lines 12 through 18 of one column before going to the next column.				
12 Enter amount, if any, from line 18 of the preceding column				
13 Add lines 11 and 12				
14 Add amounts on lines 16 and 17 of the preceding column		66,548.	133,096.	199,643.
15 Subtract line 14 from line 13. If zero or less, enter -0-	0.	0.	0.	0.
16 If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-		66,548.	133,096.	
17 Underpayment. If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18	66,548.	66,548.	66,547.	66,548.
18 Overpayment. If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next column				

Go to Part IV on page 2 to figure the penalty. Do not go to Part IV if there are no entries on line 17 - no penalty is owed.

Part IV Figuring the Penalty

	(a)	(b)	(c)	(d)
19 Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions). (Form 990-PF and Form 990-T filers: Use 5th month instead of 3rd month.)	19			
20 Number of days from due date of installment on line 9 to the date shown on line 19	20			
21 Number of days on line 20 after 4/15/2006 and before 7/1/2006	21			
22 Underpayment on line 17 x $\frac{\text{Number of days on line 21} \times 7\%}{365}$	22	\$	\$	\$
23 Number of days on line 20 after 6/30/2006 and before 4/1/2007	23			
24 Underpayment on line 17 x $\frac{\text{Number of days on line 23} \times 8\%}{365}$	24	\$	\$	\$
25 Number of days on line 20 after 3/31/2007 and before 7/1/2007	25			
26 Underpayment on line 17 x $\frac{\text{Number of days on line 25} \times \%}{365}$	26	\$	\$	\$
27 Number of days on line 20 after 6/30/2007 and before 10/1/2007	27	See Attached Worksheet		
28 Underpayment on line 17 x $\frac{\text{Number of days on line 27} \times \%}{365}$	28	\$	\$	\$
29 Number of days on line 20 after 9/30/2007 and before 1/1/2008	29			
30 Underpayment on line 17 x $\frac{\text{Number of days on line 29} \times \%}{365}$	30	\$	\$	\$
31 Number of days on line 20 after 12/31/2007 and before 2/16/2008	31			
32 Underpayment on line 17 x $\frac{\text{Number of days on line 31} \times \%}{365}$	32	\$	\$	\$
33 Add lines 22, 24, 26, 28, 30, and 32	33	\$	\$	\$
34 Penalty. Add columns (a) through (d), of line 33. Enter the total here and on Form 1120; line 33, Form 1120-A, line 29; or the comparable line for other income tax returns	34	\$		16,156.

* For underpayments paid after March 31, 2007: For lines 26, 28, 30, and 32, use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS website at www.irs.gov. You can also call 1-800-829-4933 to get interest rate information.

Form 990-T Income (Loss) from Partnerships Statement 21

<u>Description</u>	<u>Amount</u>
Sequoia Capital XII, LP	-1,353.
Total to Form 990-T, Page 1, line 5	-1,353.

Form 990-T Schedule I - Expenses Directly Connected with Statement 22
Production of Unrelated Business Income

<u>Description</u>	<u>Activity Number</u>	<u>Amount</u>	<u>Total</u>
Cost of Goods Sold		1,253,502.	
Operating Expenses		1,594,596.	
- SubTotal -	1		2,848,098.
Theater - Expense		493,333.	
- SubTotal -	2		493,333.
Total of Form 990-T, Schedule I, Column 3			<u>3,341,431.</u>

Form 990-T Schedule I - Expenses Not Directly Connected Statement 23
with Production of Unrelated Business Income

Description	Activity Number	Amount	Total
Cost of Goods Sold		14,547,612.	
Operating Expenses		20,859,279.	
- SubTotal -	1		35,406,891.
Theater - Expense		6,822,574.	
- SubTotal -	2		6,822,574.
Total of Form 990-T, Schedule I, Column 6			42,229,465.